



STATE BOARD OF EQUALIZATION

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MICHELLE STEEL
Third District, Rolling Hills Estates

JUDY CHU
Fourth District, Los Angeles

JOHN CHIANG
State Controller

RAMON J. HIRSIG
Executive Director

STATE BOARD OF EQUALIZATION MEETING 450 N Street, Room 121, Sacramento March 20, 2007 NOTICE AND AGENDA

Recorded Audio

Board Committee Meetings convene at 9:30 a.m.*

Board Meeting convenes upon adjournment of the Board Committee Meetings.**

Agenda items occur in the order in which they appear on the agenda. When circumstances warrant, the Board's Chairwoman, Ms. Yee, may modify the order of the items on the agenda.

BOARD COMMITTEE MEETINGS*

LEGISLATIVE COMMITTEE Ms. Chu, Committee Chairwoman+

Suggestions for Property Taxes, Business Taxes (General, Sales and Use Taxes, and Special Taxes) and legislation to be sponsored by the Board in the first year of the 2007-2008 Legislative Session. Additional suggestions will be included on the agenda for April 2007.

➤ 2007 Legislative Proposals— Business Taxes (Sales and Use Taxes)

- Add Section 6483.5 to the Sales and Use Tax Law to allow the Board to offset an unapproved prior period credit claimed on a return against a non-final liability under specified circumstances.
- Amend Sections 6452.1, 6487.3, and 18510 of the Revenue and Taxation Code to require persons who have failed to report their use tax obligations to the Board to report their use tax liability on their tax returns filed with the Franchise Tax Board.
- Add Sections 7285.6 and 7285.93 to the Additional Local Taxes Law to authorize a citywide or countywide district tax ordinance to be approved by voters without the governing body's approval.

➤ **2007 Legislative Proposals—Business Taxes (Special Taxes)**

- Amend Sections 41030, 41031, and 41032 of the Emergency Telephone Users Surcharge Law to change the effective date of the surcharge rate period from November 1 through October 31 to January 1 through December 31 (calendar year basis) in order to prevent quarterly and yearly filers from having to report split tax returns each time there is a rate change effective November 1.

➤ **2007 Legislative Proposals—Administration**

- Amend various sections in the State Constitution to rename the Board of Equalization as the “California Tax Board.”
- Add Section 17042.1 to the Personal Income Tax Law to allow the Board to approve a taxpayer’s head of household status when that taxpayer claims as his qualifying dependent a child whose natural parent also lives in the taxpayer’s household and qualifies as a dependent of taxpayer.

PROPERTY TAX COMMITTEEMs. Steel, Committee Chairwoman+

1. Proposed adoption of definition of “Non-Production Computers” defining the scope of the Valuation Factors Studies.

BOARD MEETING**

ORAL HEARINGS

A. HOMEOWNER AND RENTER PROPERTY TAX ASSISTANCE HEARINGS

There are no items for this matter.

B. CORPORATE FRANCHISE AND PERSONAL INCOME TAX HEARINGS

(Contribution Disclosure forms required pursuant to Govt. Code, § 15626.)

B1. M. J. Hannigan and S. A. Hannigan, 346086
 For Appellant: Dan Swart, CPA
 For Franchise Tax Board: Diane Ewing, Tax Counsel

~~B2. Taiheiyo Cement USA, Inc., 332855
 For Appellant: Jess B. Penilla, Representative
 Peter Seidel, Representative
 For Franchise Tax Board: Ann Hodges, Tax Counsel~~

C. SALES AND USE TAX APPEALS HEARINGS

(Contribution Disclosure forms required pursuant to Govt. Code § 15626.)

- C1. Parquette Industries, Inc., 283835 (JH)
 For Petitioner: Richard Parquette, Taxpayer
 For Department: Kevin Hanks, Hearing Representative
- C2. Johnny L. Morris, 307080 (KH)
 For Claimant: Johnny L. Morris, Taxpayer
 For Department: Randy Ferris, Tax Counsel
- C3. Daugherty and Daugherty, Inc., 311686 (KH)
 For Claimant: Scott M. McAllister, Controller
 For Department: Cary Huxsoll, Tax Counsel
- C4. Edvin Yonan, 222794 (KH)
 For Claimant: Michael S. Warda, Attorney
 Edvin Yonan, Taxpayer
 Benjamin Hetrick, Accountant
 For Department: Trecia Nienow, Tax Counsel

D. SPECIAL TAXES APPEALS HEARINGS

There are no items for this matter.

E. PROPERTY TAX APPEALS HEARINGS

There are no items for this matter.

G. TAX PROGRAM NONAPPEARANCE MATTERS – CONSENT(Contribution Disclosure forms not required pursuant to Gov. Code § 15626.)**G1 Legal Appeals MattersMr. Levine**

- Hearing Notices Sent – No Response
 1. Shaukat Maredia, 281738, 281739, 282003 (ET & ARH)
 2. Triad ML Marketing, Inc., 287326 (OHB)
 3. Computerworks of Sacramento, Inc., 336131 (KH)
- Hearing Notices Sent – Appearance Waived
 4. Monterey Information Technologies, 308725 (GHC)
 5. Desert Sky Charter, Inc., 282883 (UT)
- Petition for Release of Seized Property
 6. Wilson Lai, 388071 (ET)

G2 Franchise and Income Tax Matters..... Mr. Schreiter

➤ Decisions

1. Mohammed Amin, 283192
2. Keith C. Beard, 342165
3. Butch Berry, 344963
4. Intech, LP, 350466
5. Robert J. Kavanaugh (Deceased), 348937
6. Patricia Mosby, 312756, 315341, 330539
7. Michael W. Peterson, 349310
8. Bryon E. Vournazos, 341973
9. Alex Walker, 350032
10. Daniel Beckley, 339528

G3 Homeowner and Renter Property Tax**Assistance Matters..... Mr. Schreiter**

➤ Decisions

1. ~~Joyce Coleman, 349371~~
2. Bexie C. Elliott (Deceased), 348655
3. Florin Gruia, 345695
4. Dianne Johnson, 350281
5. Vernon L. Just, 347712
6. Bertha Maciel, 348960
7. Robert G. Maldonado, 361008
8. Iosif Milgram, 362196
9. Tinnette Taylor, 359816

G4 Sales and Use Taxes Matters Ms. Henry

➤ Redeterminations

1. Perkinelmer Instruments, Inc., 311274 (EA)
2. Harper Collins Publishers, Inc., 354514 (OHB)
3. Bill Herigstad, 296293 (EH)
4. Gene Johnson, 361959 (BH)
5. Viviana Norma Magee, 379938 (CH)
6. United Airlines, Inc., 220984 (OHA)

➤ Relief of Penalty/Interest

7. IAC Search & Media, Inc., 384781 (CH)

➤ Denials of Claims for Refund

8. Vernon C. Sorenson, MD PC, 382231 (UT)
9. Nativeson Media, Inc., 383800 (AS)

G5 Sales and Use Taxes Matters – Credits, Cancellations, and Refunds..... Ms. Henry**➤ Refunds**

1. Point.360, 327443 (AC)
2. Citizen Watch Company of America, Inc., 378295 (AS)
3. Ace Cogeneration Company, LP, 386752 (EH)
4. Century Theatres, Inc., 382748 (JH)
5. Mercedes-Benz USA, LLC, 373139 (KH)
6. Janssen Pharmaceutica, Inc., 382981 (OHB)
7. Verizon Wireless (Vaw), LLC, 206280 (OHB)
8. Nativeson Media, Inc., 245535 (AS)
9. Veritas Software Global Corporation, 311405 (GH)
10. Onyx Acceptance Corporation, 215631 (EAA)
11. International Demographics, Inc., 313115 (OHC)
12. Harley-Davidson Credit Corporation, 331820 (OHA)

G6 Special Taxes Matters Mr. Gau**➤ Relief of Penalty**

1. Hudson Insurance Company, 355861 (ET) – “CF”
2. Pacific Groservice, Inc., 378399 (ET)
3. Preferred Employers Insurance Company, 384861 (ET) – “CF”

G7 Special Taxes Matters – Credits, Cancellations, and Refunds Mr. Gau**➤ Refunds**

1. ING USA Annuity & Life Insurance Company, 329453 (ET) – “CF”
2. New York Life Insurance Company, 379716 (ET) – “CF”

There are no items for the following matters:

G8 Property Tax Matters

G9 Cigarette License Fee Matters

G10 Legal Appeals Property Tax Matters

H. TAX PROGRAM NONAPPEARANCE MATTERS – ADJUDICATORY
(Contribution Disclosure forms required pursuant to Govt. Code § 15626.)**H1 Legal Appeals Matters Mr. Levine****➤ Hearing Notice Sent – Appearance Waived**

1. Lynne Meredith, 241993 (EA)

➤ Case Heard But Not Decided

2. General Electric Capital Corporation, 104862 (OHA)

➤ Matter for Board Consideration

3. Paragon Industries, Inc., 219180, 246246 (KHO)

H2 Franchise and Income Tax Matters..... Mr. Schreiter

- Decisions
 1. ~~Affiliated Funding Corporation, 317945~~
 2. ~~Downey Toy Company, 306793~~
 3. Yichi Gu, 318261
- Matter for Board Consideration
 4. Angelina Mike, 262040

H3 Homeowner and Renter Property Tax Assistance Matters..... Mr. Schreiter

- Decisions
 1. Linda Bradley, 354190
 2. Marcos Prieto, 339280

H4 Sales and Use Taxes Matters Ms. Henry

- Relief of Penalty/Interest
 1. Freeman Decorating Company, 361420 (OHC)
 2. Films For the Humanities & Sciences, 377739 (OHB)
- Denials of Claims for Refund
 3. Edwin M. Culver, 350298 (GHC)

H5 Sales and Use Taxes Matters – Credits, Cancellations, and Refunds..... Ms. Henry

- Credits and Cancellation
 1. Cirilo Montes, 361150 (EH)
 2. ~~Infinity Material Management Solutions, 379564 (GH)~~
- Refunds
 3. Kawasaki Motors Corporation USA, 353580 (EAA)
 4. Waveprecision Corporation, 266539 (OHB)
 5. Westamerica Bank, 374792 (JH)
 6. Revlon Consumer Products Corporation, 355893 (OHB)
 7. Kyphon, Inc., 350261 (GH)
 8. ~~Infinity Material Management Solutions, 243831 (GH)~~
 9. TASQ Technology, Inc., 355544 (KH)
 10. Puget Sound Leasing Company, Inc., 339181 (OH)
 11. Universal Security System, Inc., 374229 (EA)
 12. Lockheed Employment Services, Inc., 355105 (AC)

There are no items for the following matters:

- H6 Special Taxes Matters
- H7 Special Taxes Matters – Credits, Cancellations, and Refunds
- H8 Property Tax Matters
- H9 Cigarette License Fee Matters
- H10 Legal Appeals Property Tax Matters

I. TAX PROGRAM NONAPPEARANCE MATTERS(Contribution Disclosure forms not required pursuant to Gov. Code § 15626.)**I1 Property Taxes MattersMr. Gau**

➤ Board Roll Changes – “CF”

1. 2003, 2004, 2005 and 2006 State-Assessed Property Rolls

I2 Offers-in-Compromise RecommendationsMs. Ogrod

1. Norris Strauch
2. Barry Albert, Karen Albert and Design Resources, Inc.
3. Douglas Kato
4. Trademark Communications
5. Larry Beckman

BOARD MEETING RECONVENES AT 1:30 P.M.***ORAL HEARINGS****C. SALES AND USE TAX APPEALS HEARINGS**

(Contribution Disclosure forms required pursuant to Gov. Code § 15626)

C5. Fassel Mahmoud Elder, 197550 (KH)

For Petitioner: Jesse McClellan, Representative
Dan Davis, Representative

For Department: Kevin Hanks, Hearing Representative

C6. Jess James Gallegus, 235814, 252210 (CH)

For Petitioner: Eric J. Kohn, Enrolled Agent

For Department: Robert Stipe, Tax Counsel

F. PUBLIC HEARINGS**F1 Business Taxpayers' Bill Of Rights HearingsMr. Gilman**

Individuals have the opportunity to present their ideas, concerns, and recommendations regarding legislation, the quality of agency services, and other issues related to the Board's administration of its tax programs. At the Business Taxes hearings you can comment on the administration of sales and use taxes, environmental fees, fuel taxes, and excise taxes.

F2 Property Taxpayers' Bill Of Rights HearingsMr. Gilman

Individuals have the opportunity to present their ideas, concerns, and recommendations regarding legislation, the quality of agency services, and other issues related to the Board's administration of its tax programs. At the Property Taxes hearings you can comment on the property taxes programs and laws administered by the Board, and identify ways to resolve any problems identified in the Property Taxpayers' Advocate's Annual Report.

F3 Proposed Adoption of Amendment to Sales and Use Tax Regulation 1603, *Taxable Sales of Food Products*Mr. Lambert+

Proposed revisions to Regulation 1603 are regarding the application of tax to charges for mandatory and optional gratuities.

F4 Proposed Adoption of Sales and Use Tax Regulation 1671.1, *Discounts, Coupons, Rebates, and Other Incentives*.....Mr. Lambert+

Proposed adoption of Sales and Use Tax Regulation 1671.1 to clarify: (1) the general application of tax to transactions involving discounts, coupons, rebates and other incentives; and (2) the specific application of tax to revenue from discounts, coupons, rebates and other incentives that retailers receive from persons other than purchasers.

CHIEF COUNSEL MATTERS

J. Rulemaking

**J1 *Board of Equalization Rules for Tax Appeals* Ms. Cazadd/+
Chapter 3: Property Tax Mr. Lambert**

The *Board of Equalization Rules for Tax Appeals* provides comprehensive guidance regarding the administrative and appellate review processes for the tax programs administered by the Board.

Section 100 Change to Regulation

J2 *Regulation 1802, Place of Sale and Use for Purposes of Bradley-Burns Uniform Local Sales and Use Taxes* Ms. Ograd+

K. Business Taxes

There are no items for this matter.

L. Property Tax.....Ms. Kim

- Board Consideration of Findings and Decisions
 - L1 High Desert Power Trust 2000-A (1127), 359070

M. Other Chief Counsel Matters Ms. Cazadd/+ Ms. Thurston

~~M1 Bankruptcy Update – Comprehensive Report~~

ADMINISTRATIVE SESSION**N. Consent Agenda Mr. Evans+****N1 Retirement Resolutions**

- Lynn Y. Floria
- Sherry L. Gibson
- Robert N. Landes
- Waymond Y. Lee
- Rosemarie Munoz
- Mark Steinberg

N2 Approve time extension to San Diego County to complete and submit 2007-08 Local Assessment Roll, pursuant to Revenue and Taxation Code section 155**N3 Approval of Board Meeting Minutes**

- November 15, 2006
- November 20, 2006
- November 21, 2006
- December 12, 2006
- December 13, 2006

O. Approval of Board Committee Meeting Minutes

- O1 Legislative Committee
- O2 Property Tax Committee

P. Other Administrative Matters**P1 Executive Director's Report.....Mr. Hirsig+**

- 1. Strategic Plan for Approval
- 2. Status Report of Retail Licensing Enforcement – Mr. Gill Haas

P2 Chief Counsel Report..... Ms. Cazadd+

- 1. Status of Settlement Division - Comprehensive Report

P3 Deputy Directors' Reports

- 1. Sales and Use Tax Ms. Henry
 - 1. There are no items for this matter.

- 2. Property and Special Taxes..... Mr. Gau
 - 1. There are no items for this matter.

- 3. Administration Ms. Johnson

- 1. Finance Letter No. 1-Board of Equalization-Individual Rate Building for Approval+
- 2. Financial Information System for California (FI\$Cal) Project Update
- 3. Curtainwall Update
- 4. Budget Update

ANNOUNCEMENT OF CLOSED SESSION..... Mr. Evans**Q. Closed Session**

- Q1. Discussion and approval of staff recommendations regarding settlement cases (Rev. & Tax. Code §§ 6901, 7093.5, 30459.1 and 50156.11)
- Q2. Pending Litigation: *Pacific Gas and Electric Company v. California State Board of Equalization, Butte County, El Dorado County, Mariposa County, Nevada County, Placer County, Plumas County, Sierra County and Yuba County*, San Joaquin County Superior Court, Case No. CV 026962 (Gov. Code, § 11126(e))
- Q3. Pending Litigation: *County of Santa Clara, et al. v. State Board of Equalization*, San Francisco Superior Court No. CPF-06-506789 (Gov. Code, § 11126(e))
- Q4. Discussion and action on personnel matters (Gov. Code § 11126(a))

ANNOUNCEMENT OF OPEN SESSION Mr. Evans**ADJOURN**

If you wish to receive this Notice and Agenda electronically, you can subscribe at www.boe.ca.gov/agenda.

If you would like specific information regarding items on this Notice and Agenda, please telephone (916) 322-2270 or e-mail: MeetingInfo@boe.ca.gov. Please be advised that material containing confidential taxpayer information cannot be publicly disclosed.

The hearing location is accessible to people with disabilities. Please contact Claudia Madrigal at (916) 324-8261, or e-mail Claudia.Madrigal@boe.ca.gov if you require special assistance.

Gary Evans, Acting Chief
Board Proceedings Division

- * Public comment on any committee agenda item will be accepted at the beginning of the committee meeting.
- ** Public comment on any agenda item, other than a Closed Session item or an item which has already been considered by a Board Committee, will be accepted at that meeting.
- + Material is available for this Item.
- "CF" Constitutional Function – The Deputy State Controller may not participate in this matter under Government Code section 7.9.